

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Athens	County Calhoun
Fiscal Year End March 31, 2007	Opinion Date June 28, 2007	Date Audit Report Submitted to State July 18, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- SE 2 Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
  - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
  - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - ☒ ☐ The local unit has adopted a budget for all required funds.
  - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
  - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
  - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
  - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
  - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
  - ☐ ☒ The local unit is free of repeated comments from previous years.
  - ☒ ☐ The audit opinion is UNQUALIFIED.
  - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
  - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Yeo & Yeo, P.C.		Telephone Number 269-329-7007	
Street Address 710 East Milham		City Kalamazoo	State Michigan
			Zip 49002
Authorizing CPA Signature <i>Carol A. Light, CPA</i>		Printed Name Carol A. Light, CPA	License Number 1101020083

**Township of Athens**

**Athens, Michigan**

**Calhoun County**

**Annual Financial Statements  
and  
Auditors' Report**

**March 31, 2007**

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**Township of Athens**  
**List of Elected and Appointed Officials**  
**March 31, 2007**

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Township Board

Stephen Irons – Supervisor

Mike Irons – Treasurer

Debera Denney – Clerk

Patricia Muyskens – Trustee

Steve Tuttle - Trustee

## **Independent Auditors' Report**

Board of Trustees  
Township of Athens

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Township of Athens as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Township of Athens as of March 31, 2007 and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Township of Athens' basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Yeo & Yeo, P.C.*

June 28, 2007  
Kalamazoo, Michigan

**Township of Athens**  
**Management's Discussion and Analysis**  
**March 31, 2007**

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This section of the Township of Athens' annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year that ended on March 31, 2007. Please read it in conjunction with the Township's financial statements, which follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Township financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the whole Township, presenting both an aggregate view of the Township's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The annual report is arranged as follows:

***Management's Discussion and Analysis (MD&A)***  
***(Required Supplemental Information)***

**Basic Financial Statements**  
***Government-wide Financial Statements***      ***Fund Financial Statements***

***Notes to the Basic Financial Statements***

***(Required Supplemental Information)***  
***Budgetary Information for General Fund***

**Financial Highlights**

Our financial status has declined over the last year. Net assets as of March 31, 2007, totaled \$899,413 compared to net assets as of March 31, 2006, totaling \$909,737. This equals a \$10,324 decrease in net assets during the 2007 fiscal year.

The Township's fund balance at the year end was \$381,588, which represents about 15 ¼ months of operating expenditures.

Overall revenues were \$319,074. This consisted of \$195,066 from property taxes, \$99,618 from state revenue sharing \$2,265 interest income, and \$22,125 in other revenue.

Overall expenditures were \$298,737. Of this amount, \$2,865 was spent on buildings and grounds and \$151,718 was spent on public safety.

**Township of Athens**  
**Management's Discussion and Analysis**  
**March 31, 2007**

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**Financial Analysis**

**Government-wide Statements - Changes in Net Assets**

The Township's net assets are \$899,413. In comparison, last year's net assets were \$909,737, a decrease of \$10,324.

	Governmental Activities	
	2007	2006
Assets	\$ 904,310	\$ 919,844
Current and long-term liabilities	4,897	10,107
Total net assets	<u>\$ 899,413</u>	<u>\$ 909,737</u>
Revenues		
General revenues		
Property taxes	\$ 195,066	\$ 188,670
State-shared revenue	99,322	101,045
Unrestricted investment earnings	2,265	4,916
Miscellaneous	22,125	38,314
Total revenues	<u>318,778</u>	<u>332,945</u>
Program expenses		
General government	138,445	137,041
Public safety	182,650	174,472
Community and economic development	4,668	3,891
Recreation and culture	3,339	2,969
Total program expenses	<u>329,102</u>	<u>318,373</u>
Change in net assets	<u>\$ (10,324)</u>	<u>\$ 14,572</u>



**Township of Athens**  
**Management's Discussion and Analysis**  
**March 31, 2007**

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**Fund Financial Statements – Changes in Fund Balance**

Traditional users of governmental financial statements will find the Fund Financial Statement presentation more familiar. The Township's only governmental type fund is its General Fund. Functions relating to the general governmental activities, including operation of the Township's fire department, which are financed by property tax levies, by distribution of State revenues, and other miscellaneous revenues and grants, are recorded in the General Fund. The Township's ending fund balance as of March 31, 2007 was \$381,588, an increase of \$20,337 over last year.

**Other Information**

During the year the Township paid \$1,629 for computer equipment for the Township offices and \$1,635 for computer equipment for our fire department personnel. The Township also paid \$3,891 for a 235 gallon poly tank with a booster for our fire department personnel.

During the year, the Township paid off a lease agreement with Vision Bank for Scott air packs. The final payment was made on July 5, 2006.

The Township did not incur any new debt in 2007.

**Known Factors Affecting Future Operations**

The cut in funding from the State of Michigan the Township has been facing in the past few years seems to have leveled off, at least for the time being. We are still facing increases in heating expenses for the township. These factors are making it more and more difficult to operate within our budget. However, we are not expecting to exceed our budget for the 2008 fiscal year.

**Contacting Township Management**

This financial report is to provide our taxpayers and the general public with an overview of the Township's financial status in addition to revenue and expenditures we incurred. If any questions arise regarding this report, please contact the Township Clerk or the Township Treasurer at 269-729-5305.

**Township of Athens**  
**Statement of Net Assets**  
**March 31, 2007**

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	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 329,352
Receivables	
Taxes	27,691
Customers	16,380
Due from other units of government	29,369
Land	12,250
Capital assets, net	<u>489,268</u>
 Total assets	 <u>904,310</u>
 <b>Liabilities</b>	
Accounts payable	1,486
Accrued and other liabilities	<u>3,411</u>
 Total liabilities	 <u>4,897</u>
 <b>Net Assets</b>	
Invested in capital assets, net of related debt	501,518
Unrestricted	<u>397,895</u>
 Total net assets	 <u><u>\$ 899,413</u></u>

See Accompanying Notes to Financial Statements

**Township of Athens**  
**Statement of Activities**  
**For the Year Ended March 31, 2007**

		Net (Expense) Revenue and Changes in Net Assets
		Primary Government
	Expenses	Governmental Activities
Functions/Programs		
<b>Primary government</b>		
Governmental activities		
General government	\$ 138,445	\$ (138,445)
Public safety	182,650	(182,650)
Community and economic development	4,668	(4,668)
Recreation and culture	3,339	(3,339)
	<u>329,102</u>	<u>(329,102)</u>
Total governmental activities	329,102	(329,102)
	<u>\$ 329,102</u>	<u>(329,102)</u>
General revenues		
Property taxes		195,066
State shared revenue		99,322
Unrestricted investment earnings		2,265
Miscellaneous		22,125
		<u>318,778</u>
Total general revenues		318,778
Change in net assets		(10,324)
Net assets - beginning of year		909,737
		<u>899,413</u>
Net assets - end of year		\$

See Accompanying Notes to Financial Statements

**Township of Athens**  
**Governmental Funds**  
**Balance Sheet**  
**March 31, 2007**

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	<u>General</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 329,352
Receivables	
Taxes	27,691
Customers	16,380
Due from other units of government	<u>29,369</u>
 Total assets	 <u><u>\$ 402,792</u></u>
 <b>Liabilities</b>	
Accounts payable	\$ 1,486
Accrued and other liabilities	3,411
Deferred revenue	<u>16,307</u>
 Total liabilities	 <u>21,204</u>
 <b>Fund Balances</b>	
Unreserved, reported in:	
General fund	<u>381,588</u>
 Total liabilities and fund balances	 <u><u>\$ 402,792</u></u>

See Accompanying Notes to Financial Statements

**Township of Athens**  
**Governmental Funds**  
**Reconciliation of Fund Balances of Governmental Funds**  
**to Net Assets of Governmental Activities**  
**March 31, 2007**

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<b>Total fund balances for governmental funds</b>	\$ 381,588
Total net assets for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	501,518
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	<u>16,307</u>
<b>Net assets of governmental activities</b>	<u>\$ 899,413</u>

**Township of Athens**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended March 31, 2007**

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	<u>General</u>
<b>Revenues</b>	
Taxes	\$ 195,066
State revenue sharing	99,618
Other state grants	1,450
Interest income	2,265
Other revenue	<u>20,675</u>
Total revenues	<u>319,074</u>
<b>Expenditures</b>	
Current	
General government	139,012
Public safety	151,718
Community and economic development	4,668
Recreation and culture	<u>3,339</u>
Total expenditures	<u>298,737</u>
Net change in fund balance	20,337
Fund balance - beginning of year	<u>361,251</u>
Fund balance - end of year	<u>\$ 381,588</u>

See Accompanying Notes to Financial Statements

**Township of Athens**  
**Governmental Funds**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended March 31, 2007**

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<b>Net change in fund balances - Total governmental funds</b>	<b>\$ 20,337</b>
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Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(46,764)
Capital outlay	7,155

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

State shared revenue	(296)
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Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Repayments of long-term debt	<u>9,244</u>
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<b>Change in net assets of governmental activities</b>	<b>\$ <u>(10,324)</u></b>
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**Township of Athens**  
**Fiduciary Funds**  
**Statement of Assets and Liabilities**  
**March 31, 2007**

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	Agency Funds
<b>Assets</b>	
Cash and cash equivalents	\$ 170
<b>Liabilities</b>	
Due to other units of government	\$ 170

See Accompanying Notes to Financial Statements



**Township of Athens**  
**Notes to Financial Statements**  
**March 31, 2007**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting entity**

Township of Athens is governed by an elected five-member Board. The accompanying financial statements present the government.

**Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The Township only has governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in

the fund financial statements.

**Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

**Township of Athens**  
**Notes to Financial Statements**  
**March 31, 2007**

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The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the government reports the following:

Trust and Agency Fund accounts for property tax and other deposits collected on behalf of other units and individuals.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**Assets, liabilities, and net assets or equity**

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Investments are stated at fair value based on quoted market price. Certificate of deposits are stated at cost which approximates fair value.

Receivables and payables – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as "advances to/from other funds."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each July 1<sup>st</sup> on the taxable valuation of property as of the preceding July 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

The 2006 taxable valuation of the government totaled \$53,767,311, on which ad valorem taxes consisted of 8.85 mills for operating purposes. This resulted in \$47,584 for operating expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

Ad valorem taxes also consisted of 2.813 mills for fire protection purposes. This resulted in \$128,325 for fire protection expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

The Township collects a property tax administration fee.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

**Township of Athens**  
**Notes to Financial Statements**  
**March 31, 2007**

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The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building improvements	15 to 30 years
Vehicles	3 to 10 years
Office equipment computer equipment	5 to 7 years
Computer equipment	5 to 7 years

Long-term obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund equity – In the fund financial statements, governmental funds

report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purposes. Designations of fund balance represent tentative management plans that are subject to change.

### **Comparative data**

Comparative data is not included in the government's financial statements.

## **NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

### **Budgetary information**

The government is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal yearend.

Prior to December 1, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. Public hearings are obtained to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance prior to February 1.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The Township Clerk is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the Township Board.

Amounts encumbered for purchase orders, contracts, etc. are not

**Township of Athens**  
**Notes to Financial Statements**  
**March 31, 2007**

tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

**Excess of expenditures over appropriations**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Fire Department	\$151,009	\$151,718	\$709

**NOTE 3 - DEPOSITS AND INVESTMENTS**

At yearend the government's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Cash and Cash Equivalents</u>
Governmental activities	\$ 329,352
Fiduciary funds	<u>170</u>
Total	<u>\$ 329,522</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Bank deposits (checking and savings accounts, money markets and certificates of deposit)	\$ 329,352	\$ 170

*Interest rate risk* – In accordance with its investment policy, the government manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than 60 months.

*Credit risk* – State statutes authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The investment policy adopted by the government authorizes investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

*Concentration of credit risk* – The government has no policy that would limit the amount that may be issued in any one issuer.

*Custodial credit risk* - deposits – In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The government does not have a policy for custodial credit risk. As of year end, \$ 163,194 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**NOTE 4 - RECEIVABLES AND DEFERRED REVENUE**

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have

**Township of Athens**  
**Notes to Financial Statements**  
**March 31, 2007**

been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>
<b>Primary government</b>	
State shared revenue	<u>\$ 16,307</u>

**NOTE 5 - CAPITAL ASSETS**

Capital assets activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 12,250	\$ -	\$ -	\$ 12,250
Capital assets being depreciated				
Buildings, additions and improvements	381,197	-	-	381,197
Machinery and equipment	112,522	7,155	-	119,677
Vehicles	277,739	-	-	277,739
Total capital assets being depreciated	771,458	7,155	-	778,613
Less accumulated depreciation for				
Buildings, additions and improvements	70,555	7,697	-	78,252
Machinery and equipment	92,808	14,801	-	107,609
Vehicles	79,218	24,266	-	103,484
Total accumulated depreciation	242,581	46,764	-	289,345
Net capital assets being depreciated	528,877	(39,609)	-	489,268
Governmental activities capital assets, net	\$ 541,127	\$ (39,609)	\$ -	\$ 501,518

Depreciation expense was charged to programs of the primary government as follows:

<b>Governmental activities</b>	
General government	\$ 10,306
Public safety	36,458
Total primary government	<u>\$ 46,764</u>

**Township of Athens**  
**Notes to Financial Statements**  
**March 31, 2007**

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**NOTE 6 - LONG-TERM DEBT**

Installment purchase agreements are also general obligations of the government.

Long-term obligation activity is summarized as follows:

	<u>Amount of Issue</u>	<u>Maturity Date</u>	<u>Interest Rate Ranges</u>	<u>Principal Maturity Ranges</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities</b>									
Capital leases	\$ 49,449	2007	6.991%	\$9,244	\$ 9,244	-	\$ 9,244	\$ -	\$ -

**Township of Athens**  
**Notes to Financial Statements**  
**March 31, 2007**

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**NOTE 7 - RISK MANAGEMENT**

The government is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The government has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**NOTE 8 - CONTINGENT LIABILITIES**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

**Township of Athens**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended March 31, 2007**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes				
Property taxes	\$ 181,877	\$ 181,877	\$ 195,066	\$ 13,189
State revenue sharing	100,000	100,000	99,618	(382)
State grants	-	-	1,450	1,450
Interest income	900	900	2,265	1,365
Other revenue	38,625	38,625	20,675	(17,950)
Total revenues	<u>321,402</u>	<u>321,402</u>	<u>319,074</u>	<u>(2,328)</u>
<b>Expenditures</b>				
General government				
Township board	32,938	32,938	45,650	12,712
Supervisor	8,630	8,630	8,548	(82)
Clerk	35,625	35,625	33,183	(2,442)
Board of review	1,400	1,400	1,002	(398)
Treasurer	22,100	22,100	19,008	(3,092)
Assessor	18,125	18,125	14,264	(3,861)
Elections	2,850	2,850	4,963	2,113
Buildings and grounds	24,250	24,250	2,865	(21,385)
Cemetery	13,900	13,900	9,529	(4,371)
Total general government	<u>159,818</u>	<u>159,818</u>	<u>139,012</u>	<u>(20,806)</u>
Public safety				
Fire department	<u>151,009</u>	<u>151,009</u>	<u>151,718</u>	<u>709</u>

See Accompanying Notes to Financial Statements



**Township of Athens**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended March 31, 2007**

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Community and economic development Planning	5,675	5,675	4,668	(1,007)
Recreation and culture Library	4,900	4,900	3,339	(1,561)
Total expenditures	321,402	321,402	298,737	(22,665)
Excess of revenues over expenditures	-	-	20,337	20,337
Fund balance - beginning of year	361,251	361,251	361,251	-
Fund balance - end of year	\$ 361,251	\$ 361,251	\$ 381,588	\$ 20,337

See Accompanying Notes to Financial Statements

June 28, 2007

To the Management and  
Board of Directors of  
Township of Athens

In planning and performing our audit of the financial statements of Township of Athens as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Township of Athens' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weakness. However, as discussed below, we identified certain deficiencies in internal control that we consider to be control deficiencies

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be control deficiencies:

### **Financial Statement Preparation Controls**

In conjunction with our audit, we have been contracted to prepare the financial statements and related disclosures based on the information provided to us by Management. We would like to stress that this service is allowable under AICPA ethics guidelines and may be the most efficient and effective method for preparation of Company financial statements. However, if at any point in the audit we as auditors are part of the Township's control system for producing reliable financial statements, auditing standards indicate that the Township has a control deficiency. The preparation of financial statements and disclosures, even from information provided by Management, meets this definition and is, therefore, a control deficiency. The Township is also responsible for providing us with the information needed to reconcile the fund financial statements to the government-wide financial statements, which includes capital asset additions.

## **Documentation of Internal Controls**

As part of our audit planning procedures, we are required to obtain an understanding of internal control of the Township. Part of the internal control process is the communication of information, including the communication of how internal controls are designed and operating. During our audit planning procedures we noted that documentation of internal control policies and procedures was incomplete. We recommend that the Township completely document and disseminate all internal control policies and procedures in one document. This ensures that all employees understand what their responsibilities in internal control are. In addition, it ensures continuity of internal control procedures in the unfortunate event of employee turnover or unexpected absence. Documentation should not only indicate the flow of documents but also what internal control procedures are performed by each employee and what documentation is required to indicate a procedure was completed. The monitoring process should also be documented in this procedures manual, including who is responsible for monitoring, the minimum monitoring which must be done, and what documentation is required to indicate monitoring was performed.

## **QuickBooks Accounting Software**

We noted that the Township uses QuickBooks for its accounting software. In many cases QuickBooks is the best option for a Township's accounting software and there are very good business reasons to use QuickBooks. It is however important that Management and those charged with governance understand the inherent limitations of the QuickBooks accounting software package. QuickBooks, unlike most other accounting software packages, does not provide for an irreversible closing of fiscal years. Instead, QuickBooks provides an option to password protect the accounting records up through a specific date. We encourage all users of QuickBooks to implement this option and password protect those years which have been audited, after ensuring that QuickBooks records match the audited financial statements. This password protection however does still allow changes to prior periods once the password is entered. The importance of not making changes to password protected periods needs to be instilled in all who know the password. In addition, QuickBooks does not void checks per se. When the void check option is chosen in QuickBooks it in effect deleting the check as of the date the check was written rather than voiding the check as of the date you choose to void it. This poses problems when the check issue date and the void date are in different fiscal years.

There are broad categories of permissions which should be reviewed and set for each particular user, based on their needs. One of these categories is the ability to change or delete transactions and the ability to change or delete transactions before the closing date. Remember that the Admin user automatically has rights to all broad categories, and therefore may not be the correct user set-up for some users. These categories however are very broad. Anyone given access to input accounts receivable invoices has access to record the receipt of accounts receivable monies and create write-offs of accounts receivables. Therefore QuickBooks cannot be relied upon to enforce segregation of duties.

We recommend that you seriously consider the costs and benefits of QuickBooks software as compared to the Township's needs. We also recommend that this consideration be done on an annual basis as facts and circumstances change throughout the year. We are neither recommending for nor against continuing to use QuickBooks as the Township's accounting

software, we are simply recommending that the decision made by Management and those charged with governance be a fully informed decision.

We have also noted various items we feel could improve your internal controls or operating efficiencies. These items are not considered significant deficiencies or material weaknesses but are presented for your consideration.

#### **Prior Year Recommendations:**

##### **Budget Approval**

We noted when reviewing the board minutes that when the budget is adopted, there is no reference to dollar amounts in the written minutes. This does not give us verification as to the exact budget that was adopted; the budget given to us could be different than the actual adopted budget. We recommend that at a minimum, the board minutes reference total revenues and total expenditures for the budgets adopted.

Current Status:

There is still no reference to dollar amounts in the written minutes.

##### **Chart of Accounts**

We noted during the audit that the Township's chart of accounts that is used for Quickbooks is very large. There are several repeated accounts and unused accounts. We recommend that the Township review and revise their Quickbooks chart of accounts within the next year, getting rid of unneeded accounts, etc. The Michigan Chart of Accounts should be used as a guide.

Current Status:

The chart of accounts has now been cleaned up. The Township will begin using this new chart of accounts beginning with the next fiscal year.

##### **Approval of Check Registers by Two Trustees**

We discovered that there were a few instances when check registers were only approved and initialed by one trustee instead of two trustees. We recommend that the check register be signed by two trustees at all times as this is Township policy.

Current Status:

During the current year, we found one check register that had only been signed by one Trustee and one check register that had been signed by no Trustees.

**Formal Written Ethics Policy**

We discovered that the Township does not have a formal written ethics policy. We recommend that the Township adopt a written ethics policy.

Current Status:

The Township has still not adopted a formal written ethics policy. We can provide the Township with an example of such a policy.

This communication is intended solely for the information and use of management, Members of the Township Board, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

*Yeo & Yeo, P.C.*

Kalamazoo, Michigan  
June 28, 2007